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Industrial Development Board

Twenty-eighth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 25 May 2004, at 10 a.m.

Temporary President: Mr. GONZALEZ ANINAT (Chile)
President: Mr. ZNIBER (Morocco)

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The meeting was called to order at 10.30 a.m.

OPENING OF THE SESSION

1. **The TEMPORARY PRESIDENT** declared open the twenty-eighth session of the Industrial Development Board. He thanked the Director-General and the Secretariat for consistently supporting him in his work as President of the Board. The twenty-seventh session of the Board had been a success and had laid a solid foundation for future work on a number of issues that were important to many countries. One such issue was biotechnology, which had been the focus of the Global Biotechnology Forum held recently in Chile. One of the Board's agenda items dealt with the outcome of and follow-up to the Forum.

2. Poverty was another important issue and had been discussed during the tenth session of the General Conference. He had chaired a special round table on poverty in Latin America in the context of sustainable development. Such discussions had made it possible to identify links between political and scientific issues, thus facilitating a holistic approach to the problem of poverty. He thanked both the Secretariat and Member States for their cooperation in that regard.

ELECTION OF OFFICERS

3. **The TEMPORARY PRESIDENT** said that he had received the following nominations: Mr. O. Zniber (Morocco) for the post of President; Mr. S. Ariyapruchya (Thailand), Mr. T. Stelzer (Austria) and Mr. M. Kalinin (Russian Federation) for the posts of Vice-President; and Mr. G. Alvarez Goyoaga (Uruguay) for the post of Rapporteur.

4. *The candidates were elected by acclamation.*

5. *Mr. Zniber (Morocco), President, took the Chair.*

STATEMENT BY THE PRESIDENT

6. **The PRESIDENT** said that it was an honour to preside over the current session of the Board. The agenda was a very full one and would need thorough treatment if UNIDO was to be able to carry out its mandate effectively and continue on the path of reform. He thanked the Director-General and the Secretariat for their continuing efforts to facilitate the Organization's work.

7. The activities of UNIDO were particularly important for helping developing countries to build a stable industrial base that would allow them to compete in the global market and reduce their dependence on developed countries. In the past few years, UNIDO had focused on combating poverty, which would help to promote social development and environmental protection and would form part of the Organization's contribution to achieving the Millennium Development Goals (MDGs). He hoped that all parties would work together for peace and stability and the welfare of all people in the world.

8. UNIDO had recently undergone a process of structural reform which had enabled it to implement its projects more effectively and raised its international profile. He welcomed the establishment of informal consultative groups, which provided a forum for discussion of various aspects of the Organization's work, including the question of decentralization. He also commended the Organization's efforts to develop relations with other organizations and agencies, in particular the United Nations Development Programme (UNDP), and emphasized that UNIDO had an important role to play in the process of reform under way in the United Nations system as a whole.

9. Developing countries needed the help of UNIDO more than ever before in order to achieve their aspirations, and it was to be hoped that the Organization would continue to improve the quality of its field work so as to ensure that developing countries had access to the necessary human resources and expertise. The Organization also required adequate financial resources in order to assist developing countries in areas such as technology transfer.

10. A number of important initiatives had been undertaken in Africa in particular, such as the New Partnership for Africa's Development (NEPAD), which provided the most suitable framework for the launching of new UNIDO projects in Africa. UNIDO was already providing technical assistance for the implementation of NEPAD. The Organization's help was also needed in order to bridge the gap between North and South and between rich and poor countries. The international community should redouble its efforts to help developing countries keep pace with globalization and to reduce their heavy burden of debt. Many countries wished to be involved in South-South cooperation, which was a means for them to pool their resources and efforts. UNIDO had organized a symposium on ways in which the countries of the South could help each other.

11. He looked forward to the Director-General's forthcoming official visit to his country, Morocco, which would provide an opportunity to discuss the future enhancement and consolidation of cooperation between Morocco and UNIDO.

ADOPTION OF THE AGENDA (IDB.28/1 and Add.1; IDB.28/CRP.1)

12. *The provisional agenda (IDB.28/1) was adopted.*

STATEMENTS BY THE DIRECTOR-GENERAL AND REPRESENTATIVES OF THE SECRETARIAT

13. **Mr. MAGARIÑOS** (Director-General) congratulated the President and the other members of the Bureau on their election and expressed his gratitude to the departing President and Bureau for their hard work. He also welcomed the Ministers from Côte d'Ivoire, Ghana, Peru, the Sudan, Tajikistan and Senegal, whose presence at the session demonstrated the importance Member States attached to the Organization's work.

14. Referring to General Conference resolution GC.10/Res.2, in which he had been invited to develop a strategic long-term vision statement for the Organization, he said that any long-term vision should be based on a careful analysis of current challenges and a proper evaluation of the past. In the period 1990-1996, the level of technical cooperation delivery had declined by 43 per cent. In 1997, Member States had decided to apply a huge budget cut because of a drop in the membership of the Organization. He had started his term of office in 1998 with a very difficult mandate, set out in the 1997 Business Plan on the Role and Functions of UNIDO, which had included reducing the Organization's budget by 20 per cent and discontinuing a number of activities and programmes, such as those relating to privatization and human resources development.

15. Since the period of decline, technical cooperation delivery had stabilized. However, performance in the year 2000 had convinced him of the need to renew the senior management of the Organization in order to strengthen the process of supervision and provide adequate leadership to staff. The requisite changes had been made in 2001 and 2002. Today, the success of the reform process was clear for all to see. Technical cooperation delivery had increased by 38 per cent in the period 2000-2003, reaching almost the same level as before the budget cut of 1997. That meant the Organization's productivity had increased by 23 per cent; since the same level of delivery was being achieved as in 1997, but with a budget that was 20 per cent smaller.

16. The past biennium had been the best since he had taken office: in 2003 alone, technical cooperation delivery had increased by 16 per cent compared with 2002 and the same levels were forecast for 2004. He believed, therefore, that the increase in the level of delivery was consistent and sustainable, and it was clear from Governments' funding policies and from statements delivered at meetings of the policy-making organs that Member States shared that view. In the past six years, the level of resources received from donor Governments had doubled and funding from multilateral sources had also increased. He expressed the gratitude of the Secretariat and of recipient countries for the generosity shown by donors.

17. The reform process had placed UNIDO in a secure position and equipped it to embark on the next stage of its journey, and he thanked the senior management team and the entire staff of UNIDO for their commitment and dedication, which had made it possible to achieve such good results. However, the Organization's current successful performance should not lead to complacency, but rather should propel the Organization forward to face the new challenges with courage, confidence and determination.

18. The key challenge was to redress the balance of the technical cooperation portfolio by increasing the level of services in areas such as investment promotion, technology transfer, trade capacity-building, private sector and agro-industrial development, energy and the environment. Those activities, essential for helping low-income countries to increase productivity levels, currently represented only about one third of the technical cooperation portfolio. The aim was to increase that proportion over the next four or five years while maintaining a strong presence in areas in which the Organization was already effective.

19. Early in his term of office, he had undertaken to "paint the Organization green"; now, projects under the international protocols accounted for more than 50 per cent of technical cooperation activities. The number of projects relating to other core competencies and funds for them should now be increased. That was not merely an administrative goal but rather a political issue of the utmost importance, which should be discussed, decided upon and overseen by Member States at forthcoming sessions of the Board. It was crucial to the debates on post-conflict interventions and decentralization and should also be central to discussions on how to improve the role of UNIDO in achieving the Millennium Development Goals.

20. The MDGs could be divided into "income poverty" and "non-income poverty" Goals. The distinction did not imply any order of importance but could help to clarify the Organization's potential contribution to the achievement of the Goals. There was in fact only one income poverty Goal, which was to halve, by the year 2015, the proportion of the world's people whose income was less than one dollar a day. All the other Goals fell into the non-income poverty category: those which related to human development.

21. In order to attain the MDG of halving poverty by 2015, sub-Saharan African economies would need to grow at an average rate of about 4 or 5 per cent per capita per annum. With the contribution of non-income Millennium Development Goals standing at some 1.5 per cent, there was a 2 or 3 per cent gap that could only be filled through private-sector-led, sustainable economic growth. The least developed countries (LDCs) and low-income countries must be helped to escape from a low-level equilibrium trap dominated by adverse initial conditions through a combination of non-income poverty Millennium Development Goals and the recommendations of the Poverty Reduction Strategy Papers (PRSPs), the combined effect of which should help them achieve productivity growth and sustainable social progress.

22. Reversing the adverse initial conditions could increase not only actual per capita growth, by around 1.5 per cent, but also the potential growth rate of low-income economies. However, that would not suffice to ensure that such countries' growth rates reached the required levels by 2015. The PRSPs needed to be strengthened to ensure an adequate supply of public goods in some fields such as entrepreneurship development and trade capacity-building, which economies needed for dynamic private sector performance. UNIDO officials had been asked by the International Monetary Fund (IMF) to make further recommendations on that topic.

23. The provision of local and global public goods to ensure financial stability, market integration and the diffusion of knowledge and technology were essential to enable private sector development to narrow the gap between potential and actual growth rates. That was precisely the area in which UNIDO could make the greatest contribution, and the reason why the balance of its technical cooperation portfolio must be redressed. In recent months, the Secretariat had evolved some measures to help redress that balance and increase the relative share of programmes in the fields of investment promotion, technology transfer, trade capacity-building, private sector development, agro-industrial development, energy and environment. Implementation would take time and would need cooperation between Member States and the Secretariat.

24. With regard to action within the Secretariat, it had been decided to transfer authority for project approval from the Executive Board to the Board of Directors so as to increase project-proposal formulation and funding for priority activities. That decision had been based on discussions held at the last senior management retreat. Four committees had been established for project approval, each chaired by a Managing Director, in the areas of poverty reduction through productive capacities, trade capacity-building, human security and energy, and environment; they had received funding earmarked by the Executive Board, which retained a supervisory role. He trusted that bringing the project approval process closer to staff would help improve the quality and quantity of projects in areas prioritized in the medium-term programme framework.

25. Expanding UNIDO's technical cooperation portfolio required decentralization, with a more effective presence in the field. The guidance of Member States was expected to ensure that the enlargement of the portfolio in selected areas was truly demand-driven and fully integrated with the coordination mechanisms for the United Nations system at field level. In that connection, he commended the work of the informal advisory group on decentralization.

26. With regard to action at the level of the United Nations system, he had submitted a proposal to the Secretary-General of the United Nations, which had been extensively debated at the recent meeting of the United Nations System Chief Executives Board for Coordination. He would shortly be expounding the idea at a meeting in Geneva with the heads of the International Labour Organization (ILO), the World Trade Organization (WTO), the United Nations Department of Economic and Social Affairs and the United Nations Conference on Trade and Development.

27. The core of the proposal was based on his diagnosis of the MDGs; it aimed at redressing the current shortfall of public goods in developing economies so as to increase the chances of achieving the MDGs by means of a business plan on economic development for the United Nations system. By reorganizing the supply of public goods, one could improve the metrics and budget calculations for policy and technical cooperation programmes in various fields and improve the impact of United Nations contributions.

28. The proposed plan would also facilitate the exchange of information on programmes among agencies and enhance interaction with the World Bank and IMF and the role of the United Nations in the formulation of PRSPs. It might well become a business plan for the attainment of the MDGs.

29. The MDG project was currently off track. If one excluded Asia, and China in particular, the number of people living on under US$ 1 per day had actually increased during the previous decade. Only sustained growth provided lasting success in the fight against abject poverty. Perhaps for the first time, the means, knowledge and technology existed for helping low-income countries increase productivity and reach a "virtuous circle" that would enable them to improve living conditions for their peoples. Aid flows must be increased and the supply of the relevant public goods strengthened to stimulate private-sector-led economic growth. UNIDO could help improve PRSPs; more room

must be ma for policies related to trade capacity-building and private sector development to help reduce poverty through the upgrading of productive capacities, and improve chances of achieving the MDGs.

30. **Ms. HIROSE** (Managing Director, Programme Coordination and Field Operations Division) called the Board's attention to document IDB.28/CRP.7, which provided an overview of decentralization actions taken, as well as the proposed field structure model and cost estimates.

31. Further work was needed to increase technical cooperation delivery and to reshape UNIDO's programme portfolio, taking into account the fact that the United Nations system called for enhanced coordination and coherence of country-level programmes. UNIDO programmes needed to be further aligned with Poverty Reduction Strategy Papers (PRSPs), common country assessments (CCAs) and United Nations Development Assistance Frameworks (UNDAFs) so as to contribute to the achievement of the Millennium Development Goals (MDGs). That, in turn, called for an enhanced UNIDO field presence.

32. Pursuant to General Conference resolution GC.10/Res.10, discussions on a strategic alliance at the field level had been initiated with UNDP. The informal advisory group on decentralization, chaired by the Permanent Representatives of China and Germany and established in order to seek Member States' advice on such an alliance, had already met three times. The Secretariat had also held five meetings with regional groups in April.

33. The main idea that had emerged during those discussions had been that the Secretariat should pursue a new partnership with UNDP in field operations, but not at any cost. The partnership must meet the following conditions: UNIDO should retain some of its field offices and its own identity, and the resulting field structure should enable the Organization to perform more effectively and efficiently. At the same time, the cost to UNIDO must remain within its programme and budgets for 2004-2005, and the cost of operating UNIDO desks should be shared by the two organizations in a spirit of partnership.

34. Such a partnership could double UNIDO's field presence with a limited investment through the transformation of some UNIDO field offices into UNIDO desks in UNDP offices, and with the conclusion of an agreement with UNDP in order to offset some transitional costs. UNIDO could increase its participation in country-level programme coordination and its contribution to the CCA/UNDAF and PRSP process and, ultimately, to the attainment of the MDGs.

35. Based on consultations with Member States in the informal advisory group on decentralization, the proposal was to establish UNIDO desks in UNDP offices. It would involve some eight or ten UNIDO Regional Technical Centres, each staffed with one Director, one P-5, one P-4, four National Programme Officers and four General Service staff, to be combined with 60-70 UNIDO desks, each staffed by one national programme officer. Possible ways of keeping down the costs were set out in document IDB.28/CRP.7.

36. Those issues, together with increased synergy with UNDP, would be further discussed with that body. The Secretariat would continue to further elaborate the initiative, on the understanding that its aim was to improve the UNIDO technical cooperation portfolio and ensure more effective and efficient operation. To that end, for which continued advice and support from Members States were vital, UNIDO would continue the consultation process through the informal advisory group on decentralization.

37. **Mr. RWENDEIRE** (Managing Director, Programme Development and Technical Cooperation Division) said that his Division had felt it necessary, at the outset, to draw up its own business plan based on the 1997 Business Plan on the Role and Functions of UNIDO. The plan must be detailed and comprehensive, covering programme development, technical cooperation and global forum activities, and must take into account, inter alia, the need to focus activities on the fulfilment by developing countries of the Millennium Development Goals and the importance of matching human and financial resources in order to enhance productivity. To improve quality, the involvement of line managers, directors and staff in business planning had been pursued. Following the introduction of the business plan in 2003 an increase of 10 per cent in technical cooperation delivery had been achieved. The Organization understood the importance of staff involvement and of recognition of their contribution to management.

38. The Organization was likely to achieve the same levels for 2004 as for 2003, but his Division was aiming to achieve more. Monthly monitoring of the progress of the biennium had raised questions as to why more activities had been implemented during the second year than during the first, and the reasons were being studied.

39. Four thematic areas for the MDGs had been established with a view to providing a focus for the Division's activities. The first of these was poverty reduction through productive activities; in that context, the small and medium enterprise (SME) cluster development programme was of key importance in efforts to generate wealth.

40. In recognition of the importance of strengthening links between the United Nations, ILO and other organizations, numerous discussions were in progress to ensure that there was synergism and support between those organizations.

41. Rural entrepreneurship and entrepreneurship among women and youth had been addressed, as well as the inflow of funds into countries. Surveys had been conducted in African countries to examine the factors considered by foreign investors when investing in a particular area. UNIDO's links with the Food and Agriculture Organization of the United Nations (FAO) and the International Fund for Agricultural Development (IFAD) were crucial to community-based agro-related manufacturing activities.

42. The second thematic area was the advancement of human security in post-crisis situations, with programme development completed in Afghanistan, Rwanda and Sierra Leone and in progress in Côte d' Ivoire, Timor-Leste, the Democratic Republic of the Congo and Liberia. In addition, a comprehensive programme on community-building for food security and poverty alleviation had been launched in the Sudan.

43. The third thematic area was trade capacity-building, which was vital to wealth creation at individual, company and programme levels. One of the key events of the 2003 WTO Summit in Cancun, Mexico, had been the signing of the WTO-UNIDO Memorandum of Understanding. Implementation of the Memorandum had led to a number of activities and achievements, including: seminars in Cambodia, Cuba and Bolivia; the provision of European Union funding for the development of a Bangladesh quality support programme to ensure that products from developing countries met the requirements of the world market in terms of quality and standardization; and exploration of ways to improve the cotton chain in African countries. A Workshop had been held in Berlin to examine the possibility of adding value to cotton, allowing exporters of raw cotton to obtain a higher price for products such as textiles or garments rather than exporting lint.

44. Preparations were also under way for participation in the eleventh session of the United Nations Conference on Trade and Development (UNCTAD XI), and productivity programmes had been established in Central and Eastern European countries.

45. Under the fourth thematic area of energy and the environment, the completed UNIDO project on climate change in Nigeria had examined the potential economic benefits for Nigerian industry that could be attained through clean development mechanisms and other activities.

46. Support had been received from collateral institutions for the Montreal Protocol, and work by staff had led to the development of a US$ 130 million triennial business plan which had been approved and was in the process of implementation.

47. Under the persistent organic pollutants programme, UNIDO enjoyed the advantage of having direct access to Global Environment Facility funding. National implementation plans totalling approximately US$ 19.4 million had been approved in 38 countries.

48. Further cooperation on energy and the environment included the involvement of IFAD in a programme concerning land degradation in Morocco. Approval had been secured for a programme on international waters, more specifically the Guinea Current, the Gulf of Mexico and the Humboldt Current, and joint initiatives had been launched with the involvement of the Investment and Technology Promotion Office of the United Kingdom and National Cleaner Production Centres in Cuba and the Russian Federation.

49. A clean energy project for small island developing States in the Caribbean had been completed, and a major programme on mini-hydros and biomass gasification was being developed. Most countries faced energy problems and were unlikely to have sufficient resources to construct large dams. Mini-hydros were an extremely useful and versatile solution, particularly in assisting rural development programmes.

50. The International Centre on Hydrogen Energy Technologies project in Turkey had been launched and was making good progress.

51. One of the key activities undertaken by UNIDO in the previous twelve months had been the Global Biotechnology Forum, held in March 2004 in Chile, which had recognized biotechnology as a vehicle both for poverty eradication and for sustainable development. UNIDO had a mandate to consider the potential of biotechnology for increasing food availability and renewable materials, improving human health and enhancing protection of the environment. Biotechnology's potential benefits were failing to reach developing countries. Estimates for the industrial biotechnology market showed that the largest market was for products concerned with the environment, but products such as industrial enzymes, detergents, starch and textiles could contribute greatly towards activities aimed at poverty eradication.

52. It was important to exploit the potential of biodiversity in tropical countries. The tropical herb kava (*Piper methysticum*) provided an important example of the successful commercialization of a biotechnology product. Extracts of the plant could be used as a mild

sedative or harmless antidepressant, had calming effects, eased muscle tension, and most importantly were non-addictive. The economics of kava production showed that the benefits of producing kava as a dietary supplement and drug were failing to reach the producers in countries whose national heritage was biodiversity. Only a minute proportion of the income earned was going to the growers.

53. The Global Biotechnology Forum had been conceived with the aim of ensuring that biotechnology potential was fully exploited and that solutions were found to overcome challenges and restraints. Prior to the Forum, regional preparatory meetings had been held in Africa, Latin America, Europe, and Asia and the Pacific. The Forum itself, from 2 to 5 March 2004, had been well attended, with some 1,290 participants. Unfortunately, however, there had been few participants from Africa and Asia. The Forum had been organized into three sections: ministerial discussion panels; plenary sessions, including keynote lectures on various aspects of biotechnology; and working groups focusing on the in-depth treatment of the various issues. The final statement of the Forum had focused on four key areas: the creation of an information network and databases; the formation of a multi-stakeholder forum to ensure that biotechnology-related issues were discussed; the mobilization of resources for capacity-building; and the facilitation of mechanisms for accessing intellectual property.

54. Post-Forum mechanisms examined ways of implementing the recommendations and mobilizing resources for that purpose, as well as coordinating inter-agency activities. UNIDO follow-up activities would be fully focused on UNIDO programme areas.

55. Potential biotechnology applications included biomass utilization for energy programmes, such as the production of bioethanol for use as a fuel; biocatalysts and bioremediation could be used to ensure cleaner production and the removal of pollutant gaseous or solid materials from the environment. Biological diversity and biosafety were subjects of international conventions. Given that scientific processes held uncertainties, it was important that biotechnology management should take account of possible biosafety-related risks and ways of mitigating them.

56. Biotechnology was a highly strategic area of activity, and called for innovative approaches. Support was vital to ensure that biotechnology provided a useful tool in poverty alleviation.

STATEMENTS BY MINISTERS

57. **Mr. KYEREMATEN** (Minister of Trade, Industry and President's Special Initiatives of Ghana) noted with satisfaction that steady progress had been made on the implementation of the integrated programme for Ghana, to which his Government remained firmly committed, as had been reflected by the addition of the President's Special Initiatives to the portfolio of the Ministry of Trade and Industry. The Initiatives were new strategic interventions facilitated by the Government but implemented by the private sector in order to create employment and reduce poverty, particularly among the rural population, through the large-scale production of strategic products such as oil palm, textiles and garments, cassava, starch, sorghum, groundnuts and salt.

58. The Ministry's vision of capacity-building, with particular emphasis on increasing the competitiveness of SMEs, was linked to the United Nations Millennium Development Goals, the key parameters of which were poverty reduction, environmental sustainability, global partnership for development and gender equality.

59. The Government of Ghana was fully aware that, to achieve sustainable poverty reduction, prudent fiscal and monetary policies must be pursued vigorously. Since the Government had taken office, the pursuit of strong macroeconomic policies and good governance firmly based on the rule of law had been the driving force behind the economic, social and political successes achieved. In addition, much support and encouragement had been given to the private sector to promote industrial production through the application of science and technology, sound and sustainable management of the environment and export promotion based on diversification and competitive advantage. Unfortunately, stiff and at times unfair competition from the global market presented developing countries such as Ghana with a critical challenge.

60. The Government of Ghana noted with satisfaction that in 2003 UNIDO and the World Trade Organization had signed a memorandum of understanding on technical cooperation, and urged the Director-General to continue to strengthen links between the two organizations with a view to enhancing economic growth as well as assisting the integration of developing countries into the global economy.

61. There was no doubt that, since UNIDO had embarked on its reforms, financial contributions had increased, thus reflecting the renewed confidence of the international community in the Organization, which had also been strengthened by the accession of new Member States. In the light of those positive developments, the Ghanaian delegation urged UNIDO to strive to win back the support of countries such as the United States of America, Canada, Australia and others which had withdrawn from the Organization.

62. His delegation wished to stress the need for an effective contribution to the New Partnership for Africa's Development. The international community was urged to channel its support for Africa's industrialization efforts through the NEPAD framework.

63. It was hoped that cooperation between UNIDO and Ghana, the positive results of which had included the organization of a successful investment forum in Ghana in 2003, would be sustained in order to promote faster growth, particularly in terms of productivity enhancement.

64. While appreciating UNIDO's efforts, his delegation called upon the Organization to support Ghana in the establishment of an integrated metal and machine-tool centre to promote accelerated economic development through the manufacture of capital goods. In addition, UNIDO's assistance was sought in developing decentralized power generation using renewable energy systems in rural communities.

65. Ghana was ceaselessly endeavouring, with other West African States, to promote peace in the subregion, a crucial prerequisite for economic, social and cultural development. The unanimous re-election in 2003 of the President of Ghana, John Agyekum Kufuor, as the Chairman of the Economic Community of West African States (ECOWAS), reflected recognition of good statesmanship and strong leadership. The Ghanaian President would continue to take all possible steps to ensure that peace prevailed in the ECOWAS subregion. Meanwhile, Ghana hoped that UNIDO would lend both technical and financial assistance to those countries of the subregion whose economies had been affected negatively by the influx of refugees fleeing from conflicts, as well as those countries which were contributing material and human resources to the maintenance of peace in the subregion.

66. His delegation wished to reaffirm its strong commitment to the ideals and principles underlying UNIDO's support for the developing world.

67. **Mr. VELASQUEZ** (Minister of Production of Peru) said that the Government of Chile was to be congratulated on the success of the recently held Global Technology Forum. Peru hoped to be able to cooperate with UNIDO on that important issue.

68. While the Organization currently enjoyed a position of stability and international prestige, due in great measure to the leadership of the Director-General, much still remained to be done. Initiatives being pursued in areas such as technology foresight, promotion of investment and of technological development, trade facilitation and biotechnology were examples of how UNIDO was imaginatively renewing its mandate in the new international context.

69. Peru had the honour of co-chairing, with the United Kingdom, the informal consultative group established to assist the Director-General in implementing the initiative on trade and market access facilitation. His Government supported the work of the informal consultative groups and believed that their advisory role should be continued as a means of enabling Member States to participate actively in the examination of topics of importance to the Organization.

70. His country's industrial and manufacturing policy was based on the principles of competitiveness, technological innovation, environmental management, private investment promotion and regional decentralization, which were necessary tools for ensuring sustained growth in an export-oriented economy, achieving improved living standards and helping to reduce poverty. The policies established under a national guideline agreement concluded in 2002 between the Government, six political parties and seven civil society organizations had included an undertaking to increase competitiveness with a view to Peru's successful integration in the global economy. UNIDO was contributing to the implementation of those policies through the execution of technical cooperation projects, including assistance in the conduct of a manufacturing and tourism census, which had enabled information on the industrial sector to be updated, and the setting up of technology innovation centres with the support of the Spanish Government. Those centres had contributed to increased value added and improved quality of jewellery, ceramics and alpaca fibre production, with assistance from the Government of Italy.

71. Peru was entering into negotiations with a view to concluding a free-trade agreement with the United States of America and to strengthening relations with the countries of the Common Market of the Southern Cone (MERCOSUR), the Free Trade Area of the Americas and the European Union. UNIDO could make a valuable contribution in support of those endeavours.

72. At the regional level, Peru had been entrusted with the lead role in the UNIDO foresight study on the productive chain of the fisheries industry in the region of the South American Pacific coast, which was being undertaken with the participation of Chile, Colombia and Ecuador and which had made significant progress. Peru had offered to host the regional conference for that programme, to be held in September. Peru was also collaborating with Chile on the UNIDO-supported project concerning integrated management of the Humboldt Current Large Marine Ecosystem.

73. His Government supported the Colombian Government's offer to host the next session of the General Conference, in December 2005, at Cartagena de Indias.

74. Peru had to address the challenges of the new international context. With UNIDO's continued support, it hoped to achieve its main objectives of strengthening the economy and alleviating poverty through wealth creation and employment generation, promoting private investment and integrating national production into the global economy.

75. **Mr. OSMAN** (Minister of Industry of the Sudan) said that the Sudan was currently witnessing positive changes as a result of the Government's new policies aimed at reforming its economy. Rates of growth of between 7 and 8 per cent had been achieved in recent years, inflation had fallen from 165 per cent in the early 1990s to around 8 per cent in 2003, the national currency had become stable and many investors had been attracted, particularly in the industrial sector. Major transformations had taken place in that sector, with the establishment of many new factories and the rehabilitation of existing ones, leading to an annual growth rate of 10 per cent for the sector in 2003. In its efforts to achieve economic development, the Sudan attached increasing importance to the industrial sector and to its cooperation with UNIDO.

76. The Sudan commended the Organization's initiatives for mobilizing resources to finance the integrated country programmes. His Government was endeavouring to implement its programme within a framework of sustainable development. It cooperated with the UNIDO Representative in Khartoum, whose efforts it greatly appreciated. It was grateful to those responsible for revising the country strategy paper on the Sudan to make it acceptable to the Government and to a large number of donors. For its part, the Sudan undertook to pay its assessed contributions to the budget. It had provided new premises for UNIDO's office in Khartoum. It would furnish the local component for the programme's execution, amounting to US$ 1 million. It was also willing to organize a donors' conference.

77. His Government again thanked the Japanese Government for its allocation of US$ 1.2 million for the Nuba Mountains project, whose implementation had now begun, with monitoring by UNIDO. It was also grateful for the agreement of UNDP to earmark US$ 1 million for implementing the first phase of a small-scale agribusiness project. That was one of the important projects being undertaken by UNIDO in cooperation with FAO, which would help to alleviate poverty in rural areas and provide adequate living standards for displaced persons. The field work for an industrial survey in the Sudan, with government funding of 600 million dinars, had been completed and the data were currently being processed with a view to finalizing the report in cooperation with UNIDO and the Sudan Centre for Statistics. As a result of that work a data bank would be established, thereby facilitating planning and enabling sectoral studies to be undertaken. A project for reducing mercury pollution in mining regions was also being implemented. The Sudan was grateful to UNIDO for its assistance in the formulation of plans and programmes for the areas affected by the war and to those donors who had expressed willingness to take part in the donors' conference with a view to providing the necessary funding.

78. The Sudan welcomed the Organization's emphasis on technical cooperation programmes for low-income countries and LDCs, especially in Africa. It was gratifying to note that 70 per cent of the funds allocated were for Africa and that US$ 100 million had already been provided for the continent. The Sudan was confident that UNIDO would make every effort to increase the levels of funding.

79. His Government appreciated UNIDO's support for the efforts of Africa's Ministers of Industry to achieve sustainable industrial development and commended the decision taken to establish the African Productive Capacity Facility. He urged all Member States and donors to continue their support.

ORGANIZATION OF WORK

80. **The PRESIDENT** proposed that the Board once again decide to suspend rule 32 of the rules of procedure regarding the quorum, except for meetings at which substantive decisions were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no representative of a member of the Board objected. If he heard no objection, he would assume that the Board wished to suspend rule 32.

81. *It was so decided.*

The meeting rose at 12.30 p.m.